

Message Text

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ACTION NEA-10

INFO OCT-01 AF-08 EUR-12 ISO-00 CU-02 AID-05 EB-08 TRSE-00
OMB-01 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00
NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-13 DHA-02
AGRE-00 COME-00 FRB-03 LAB-04 SIL-01 /115 W
-----241715Z 024113 /46

R 241517Z JAN 77
FM AMEMBASSY RABAT
TO SECSTATE WASHDC 834
INFO AMEMBASSY ALGIERS
AMCONSUL CASABLANCA
AMEMBASSY MADRID
AMEMBASSY NOUAKCHOTT
AMEMBASSY PARIS
AMEMBASSY TRIPOLI
AMEMBASSY TUNIS
AMCONSUL TANGIER
USMISSION USUN
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 RABAT 444

USCINCEUR ALSO FOR POLAD

E.O. 11652: GDS
TAGS: PFOR MO
SUBJECT: CURRENT MOOD IN MOROCCO

1. SUMMARY: INFLATION, STUDENT UNREST, AND MORALE AMONG MOROCCAN TROOPS IN THE SAHARA ARE AMONG THE REGIME'S CURRENT PREOCCUPATIONS. KING HASSAN IS RESPONDING WITH RESOLUTE MEASURES ON THE INTERNAL ECONOMIC AND POLITICAL FRONTS AND THE SAHARA, AND SHOULD BE ABLE TO KEEP MATTERS IN HAND. END SUMMARY.

2. THE CONJUNCTURE OF A NUMBER OF PROBLEMS - ECONOMIC, POLITICAL AND SOCIAL - HAS PRESENTED THE GOM WITH A DIFFICULT PERIOD AHEAD
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BUT SO FAR POSES NO SERIOUS CHALLENGE TO THE GOVERNMENT'S AUTHORITY, ITS TIMETABLE FOR A RETURN TO "CONSTITUTIONAL GOVERNMENT" NOR ITS HANDLING OF THE SAHARA QUESTION.

3. ECONOMY. CONVENTIONAL WISDOM, REFLECTED IN EMBASSY REPORTING OVER PAST 18 MONTHS, IS THAT GOM ECONOMIC LEADERSHIP HAS SURMOUNTED WITH CONSIDERABLE SUCCESS TWO SUCCESSIVE CROP FAILURES

(FOLLOWED THIS YEAR BY MUCH IMPROVED HARVEST) AND COLLAPSE OF PHOSPHATE MARKET ASSOCIATED WITH WORLD RECESSION AND HESITANT RECOVERY. HOWEVER, EXCEPTIONAL INFLATION OF PAST THREE YEARS HAS IMPOSED HEAVY SOCIAL COSTS WHICH ARE ONLY NOW BECOMING FULLY APPARENT. WITH LARGE PROPORTION OF POPULATION NEAR SUBSISTENCE, HARDSHIPS IMPOSED ON POORER CLASSES HAVE BEEN SEVERE, PARTICULARLY IN THE CITIES, WHERE UNEMPLOYMENT IS ESTIMATED AT OVER 20 PERCENT AND IMPACT OF MONEY PRICE RISES IS NOT EASED AS IN COUNTRYSIDE BY PARTIAL SELF-SUFFICIENCY OF RURAL POOR.

4. AFTER QUASI-COMPULSORY GREEN MARCH LOAN, THERE IS VIRTUALLY NO EXCESS LIQUIDITY IN PRIVATE SECTOR REMAINING TO BE TAPPED. THUS INTERNAL BORROWING FROM BANKING SYSTEM IS SCHEDULED TO RISE ONLY 3 PERCENT IN 1977 VICE 13.2 PERCENT IN 1976. GOM HAS ADOPTED ALTERNATIVE POLICY OF CUTTING SUBSIDIES BY 50 PERCENT WHILE REDUCING COVERAGE TO FIVE ITEMS.

5. RESULTING PRICE BOUND HAS DRAWN FORTH CRIES OF DISMAY FROM ALL INCOME LEVELS AND THE OPPOSITION. KING QUICKLY CONVENED EXTRAORDINARY SESSION OF COUNCIL OF MINISTERS, FOLLOWED BY SPECIAL SESSIONS OF ECONOMIC MINISTERS AND WELL-PUBLICIZED PROMISES TO CONTAIN PRICES AND PUNISH PROFITEERS. PAPERS HAVE BEEN FULL OF ARRESTS OF SMALL RETAILERS CHARGED WITH HOARDINGS AND PRICE GOUGING.

6. GOVERNMENT WAS CLEARLY COMPELLED BY BUDGET REALITIES TO REDUCE SUBSIDIES, CONSCIOUSLY ACCEPTING SUBSEQUENT PRICE RISES. FLURRY OF JAW-BONING SEEMS INTENDED TO SHIFT BLAME AND DIVERT ATTENTION. FROM A NARROWLY ECONOMIC POINT OF VIEW, MOVEMENT TOWARD EFFICIENCY

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OF MARKET ALLOCATION, AFTER YEARS OF DISTORTIONS INTRODUCED BY SUBSIDIES PROGRAM, IS WELCOME, ALTHOUGH TIMING UNFORTUNATE. INTER ALIA, IT COMES DURING ONGOING ELECTORAL PROCESS INITIATED WITH LOCAL ELECTIONS LAST NOVEMBER. ALSO, THESE DELIBERATELY ENGINEERED PRICE RISES ARE HARD TO ABSORB ON TOP OF THREE PREVIOUS YEARS OF UNACCUSTOMEDLY HIGH INFLATION, AND DISSATISFACTION COULD LEAD TO PROTRACTED STRIKES, IMPAIRING ECONOMIC PERFORMANCE. RECENT UNREST IN EGYPT AND THE SUCCESS OF DEMONSTRATORS THERE IN OBTAINING PRICE ROLLBACK HAVE NOT GONE UNNOTICED IN MOROCCO. THE BUSINESS COMMUNITY ANTICIPATES A COMING YEAR OF INCREASED WAGES AND PRICES AND MOUNTING LABOR UNREST, AND A HIGH CENTRAL BANK OFFICIAL THINKS INFLATION COULD APPROACH 20 PERCENT BY END OF YEAR. KING EVIDENTLY LOOKS TO OUTSIDE HELP, PARTICULARLY FROM SAUDI ARABIA, TO ALLEVIATE MOROCCAN BUDGETARY PROBLEMS.

7. POLITICS. THE END-OF-YEAR HIATUS IN THE ELECTORAL PROCESS (RABAT 0052) HAS ENDED WITH AN ANNOUNCEMENT OF INDIRECT ELECTIONS FOR JANUARY 25 TO PROVINCIAL AND PREFECTURAL ASSEMBLIES FROM AMONG MEMBERS OF LOCAL COUNCILS. WHILE THESE ASSEMBLIES ARE NOT

CONSIDERED TO HAVE MUCH CLOUT, THE ELECTIONS ARE AT LEAST TAKEN AS A SIGNAL THAT THE POLITICAL PROCESS CONTINUES TOWARD THE PARLIAMENT PROJECTED BY THE KING FOR SEATING IN APRIL. MEANWHILE, HOWEVER, RELATIONS BETWEEN THE OPPOSITION PARTIES AND THE PALACE CONTINUE STRAINED OVER THE CONDUCT OF THE NOV 1976 LOCAL ELECTIONS AND SUBSEQUENT CHOOSING OF PRESIDENTS AND OFFICERS OF LOCAL COUNCILS. THERE IS ALSO CONCERN THAT, IN ANY SERIOUSLY MOUNTING SOCIAL UNREST, AN EARLY CASUALTY MAY BE THE NATION'S LATEST CONSTITUTIONAL EXPERIMENT.

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-----241714Z 024445 /47

R 241517Z JAN 77

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8. ANOTHER SCENE OF DISSATISFACTION HAS BEEN THE UNIVERSITY AND HIGH SCHOOL CAMPUSES. A SERIES OF STRIKES ERUPTED IN DECEMBER IN HIGH SCHOOLS THROUGHOUT THE COUNTRY, PRIMARILY OVER COMPLAINTS OF INADEQUATE TEACHING AND SCHOOL FACILITIES AND ADMINISTRATION OF TESTS AND SCHOLARSHIPS. UNIVERSITY STRIKES OF A SIMILAR NATURE HAVE OCCURRED THIS MONTH, FOLLOWING THE RETURN OF STUDENTS FROM WINTER VACATION. ARRESTS HAVE RESULTED, WITH ADHERENTS OF THE MODERATE-LEFT SOCIALIST UNION OF POPULAR FORCES (USFP) REPORTEDLY ESPECIALLY AFFECTED. THE SENTENCING OF 11 USFP TEACHERS AND STUDENTS IN CASABLANCA TO TWO-YEAR PRISON TERMS HAS BEEN FOCUSED

ON AS EXCESSIVELY SEVERE BY USFP AND OTHER OPPOSITION PAPERS. ON THE OTHER HAND, 178 "MARXIST-LENINISTS" BEING TRIED IN CASABLANCA HAVE FORFEITED ANY PUBLIC SYMPATHY BY THEIR REPORTED STATEMENTS CONDEMNING MOROCCO'S ABSORPTION OF THE SAHARA.
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9. SAHARA. SPORADIC REPORTS POINT TO LOW MORALE AMONG TROOPS IN THE SAHARA FOR REASONS SUCH AS UNHAPPINESS AT NOT BEING ABLE TO STRIKE AT ALGERIA, BAD FOOD, POOR LEADERSHIP, AND LACK OF LEAVE. HOWEVER, IT IS DIFFICULT FOR US TO SORT OUT GENUINE GRIEVANCES FROM USUAL SERVICE GRIPING.

10. WITH THE NEW YEAR, MOROCCAN FORCES HAVE BEGUN RELATIVELY LARGE-SCALE SWEEPS IN THE SAHARA, INCLUDING NORTHERN MAURITANIA NEAR BIR MOGHREIN. OUR SOURCES REPORT THAT RESULTS HAVE NOT BEEN DECISIVE. SOME POLISARIO ENCAMPMENTS AND BASES HAVE BEEN LOCATED, BUT IN MOST CASES THEIR INHABITANTS HAD PREVIOUSLY DEPARTED. A FEW CLASHES HAVE OCCURRED, RESULTING IN CASUALTIES ON BOTH SIDES, BUT WE DO NOT YET KNOW THE EXTENT OF SUCH CASUALTIES. ACCORDING TO RELIABLE SOURCES, THE MOROCCANS LOST 67 MEN KILLED IN OCTOBER 1976; ONLY 7 WERE KILLED IN NOVEMBER. OTHER INFORMED SOURCES INDICATE THAT THERE ARE CURRENTLY FEW WOUNDED IN THE MILITARY HOSPITAL IN RABAT, WHERE MOST SERIOUSLY WOUNDED CASES ARE TREATED; WE INFER THAT THE NUMBER OF RECENT CASUALTIES IS NOT GREAT, BUT WE SHOULD REMEMBER THAT IT IS VIRTUALLY IMPOSSIBLE TO VERIFY OFTEN CONFLICTING FIGURES.

11. THERE ARE ALSO REPORTS THAT SAHARAN GUERRILLAS ORGANIZED BY MOROCCO HAVE RAIDED INTO THE TINDOUF REGION OF ALGERIA. HIGH MOROCCAN OFFICIALS HAVE INFORMALLY ADMITTED THAT THIS IS THE CASE. HOWEVER, WE HAVE NO INDEPENDENT CONFIRMATION.

12. SAHARA-RELATED IS THE GROWING BELIEF THAT THE COSTS OF SAHARA OPERATIONS AND THE ASSOCIATED BURDEN OF MOROCCAN BUDGETARY SUPPORT FOR MAURITANIA ARE MAJOR FACTORS IN CREATING SHORTAGES AND PRICE INCREASES PLAGUING THE MOROCCAN ECONOMY. WHILE OUR BEST ASSESSMENT IS THAT THESE ARE SIGNIFICANT ADDED BURDENS, THEY ARE RELATIVELY MARGINAL AS CAUSATIVE INFLATIONARY FACTORS.

13. THE KING AND FOREIGN MINISTER HAVE STRESSED IN RECENT DAYS IN PRIVATE CONVERSATIONS THAT THE SITUATION IS CALM ON THE GROUND IN THE
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SAHARA AND HAVE EXPRESSED OPTIMISM ABOUT SAHARA DIPLOMACY DESPITE THE CURRENT IMPASSE MET BY SAUDI "GOOD OFFICES" LAUNCHED BETWEEN MORO

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AND ALGERIA LAST NOVEMBER. THE GOM DETECTS A FAVORABLE
SHIFT WITHIN THE OAU, AND STILL DOUBTS THAT THE PROJECTED
OAU SPECIAL SUMMIT WILL IN FACT BE HELD. MEANWHILE, POPULAR
SUPPORT FOR THE KING'S SAHARA POLICY REMAINS STRONG.

14. IN SUM, WHILE THE COUNTRY FACES CONTINUING CHALLENGES, AT
LEAST POLITICAL AND MILITARY MANIFESTATIONS APPEAR TO REMAIN
MANAGEABLE. THE REGIME'S ABILITY TO CONTAIN SOCIAL UNREST
GENERATED BY MOUNTING ECONOMIC PROBLEMS REMAINS MORE PROBLEMATIC.
IN OUR VIEW, THE KING CAN BE EXPECTED TO CONTINUE TO BE
ANTICIPATORY AND RESOLUTE, WITH A KEEN FLAIR FOR AVOIDING
EXCESSES, IN KEEPING BOTH THE INTERNAL SITUATION AND THE SAHARA
IN HAND.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Sent Date: 24-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977RABAT00444
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770025-0394
Format: TEL
From: RABAT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770124/aaaaavaj.tel
Line Count: 239
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Message ID: 3d192bd2-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 12-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3520998
Secure: OPEN
Status: NATIVE
Subject: CURRENT MOOD IN MOROCCO
TAGS: PFOR, MO
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3d192bd2-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009